

REPORT
OF THE
COMMITTEE OF WAYS AND MEANS,
RELATIVE TO THE
FINANCES OF THE COMMONWEALTH.

MR. ELWELL, CHAIRMAN.

Read in the House of Representatives, February 20, 1843.

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REPORT.

MR. ELWELL, from the Committee of Ways and Means, to whom was referred "so much of the Governor's Message as relates to the debts and liabilities, and the revenue and resources of the Commonwealth," and such petitions and memorials as had reference to the finances of the Commonwealth, made the following report :

Your committee, fully sensible of the difficulties which surround the finances of the Commonwealth, entered upon the discharge of their duty with a full determination to discharge, fearlessly, the Herculean task imposed upon them. They have carefully examined the various matters submitted for their consideration, and it would afford them great pleasure to be able, with truth, to render a flattering account of our financial condition ; but instead of this, they are compelled by the facts of the case, to present to the House and the country, a gloomy picture of our affairs.

The scarcity of money, the universal lack of confidence which prevails throughout the land, and the total insolvency of many of the banking institutions, forbid the thought of gaining even a temporary relief from our embarrassments by borrowing money. That expedient has been resorted to so freely in Pennsylvania, as to involve her in difficulties and disgrace, which ought never to have attached to the Keystone State.

The time was, when Pennsylvania stocks were sought with eagerness by capitalists, as a safe investment of their surplus funds ; and he was considered as the fortunate and favored individual, whose proposals to loan her even millions, were accepted. But those palmy days of *apparent* prosperity have passed, and we are now thrown upon our own resources.

The amount of the funded debt of the Commonwealth has been swollen to the enormous sum of *thirty-seven millions, nine hundred and thirty-seven thousand, seven hundred and eighty-eight dollars and twenty-four cents*. To which may be added the interest which fell due on the first day of this month, amounting to more than one million of dollars. The debts due to the domestic creditors, amount to nearly one million four hundred thousand dollars; making in the aggregate, of the funded and floating debt, about *forty millions four hundred thousand dollars*; exclusive of the deposits of the surplus revenue of the United States, amounting to \$2,867,514 78.

The interest due on the funded debt, on the first instant, was not paid; nor has any dividend been paid to the domestic creditors since the first day of November, although an instalment was due on the first day of this month.

This vast debt was mainly incurred in the construction of our public improvements; and although prudence might have dictated to us to proceed less rapidly, and with more caution in this great enterprise, still, it must be admitted by all, that these improvements have added greatly to the wealth and business of the State. Our seven hundred and sixty-eight miles of finished canals and railroads, traversing the Commonwealth in almost every direction, furnish facilities for trade surpassed by no State in the Union.

By means of these improvements the value of the soil of the State is greatly increased; a ready market is furnished for the products of our farmers; manufactories are encouraged; and our industrious and enterprising citizens are stimulated in their efforts to bring into active usefulness the immense hidden treasures of iron and coal, with which the Commonwealth almost every where abounds.

It would at this day be a useless waste of time, to discuss the question, whether it was wisdom or folly in our predecessors to construct these improvements. It has been done under the sanction of law, and the *faith* and *honor* of the State are pledged for the payment of the debt incurred by their construction. No good citizen can be found who does not hold the doctrine of *repudiation* in the most utter contempt and abhorrence. A virtuous and intelligent people,

with abundant means to discharge, within a few years, every dollar of the public debt, can never, upon the consideration of saving themselves from the imposition of a few dollars of annual tax, consent, that the great, noble and wealthy State of Pennsylvania, should be *disgraced* in the eyes of her sister states, and the world. There can be no doubt that thousands of our citizens now stand ready to discharge their portion of the public debt, if the Legislature would devise some mode by which their just and equal proportion of it can be ascertained, and they released from further liability. But if this cannot be done, *all* stand ready to pay annually, such sum as will be equal to their share of the sum necessary to preserve the faith of the State inviolate.

Let us for a moment examine the resources of the State :

She owns of Bank stock,	\$2,108,700 00
do Turnpike stock,	2,320,312 45
do Bridge stock,	514,350 00
do Stock in canals and railroads,	31,761,684 71
	<hr/>
Making in the aggregate,	<u>\$36,705,047 16</u>

The value of real and personal property, taxable for county purposes, in the year 1842, as returned by the county commissioners into the Auditor General's department, amounted to the sum of *five hundred millions of dollars* ; and the annual products of Pennsylvania may be fairly estimated to exceed *two hundred millions of dollars*.

During nine months of the past year, the canals and railroads yielded a revenue above all expenses, of *five hundred and thirty thousand four hundred and fifty-two dollars*. This result is mainly attributable to the praiseworthy efforts of the Canal Commissioners in introducing reform in the mode of managing and retrenchments in the expenditures upon these works. They have dispensed with the services of many officers and agents, and enlarged the jurisdiction and services of those retained ; and in this way, and by direct reductions in salaries and per diem allowances, have saved to the State, since the opening of the navigation last spring, the handsome sum of two hundred and twenty-five dollars per day. And although the tolls have been reduced, the nett profit is greater than

was ever before realized in one year. Thus incontrovertibly proving, that these works will in future prove a profitable source of revenue to the Treasury.

A tax of five mills on a dollar on the property now made taxable for county purposes, if fairly levied, would pay the interest on the State debt; a tax of one cent on a dollar would pay both principal and interest in less than twenty years.

Connected with the subject of taxation, there are numerous difficulties. Every Legislature, for several years past, has undertaken to provide some mode for the fair assessment and equalization of taxes; still, however, complaints and causes for complaints exist, and will no doubt continue to exist, until some mode of apportioning the State tax among the several counties shall be adopted.

At the last session of the Legislature a scheme of this kind was defeated, and a tribunal for the equalization of the taxes among the several townships, in each county, called a "Board of Revision," was created. How far this mode will serve to correct the unfair assessments made in many townships and counties, remains to be seen.—The committee are of the opinion, that until the public debt is apportioned among the several counties, with a requisition by law upon each, to raise its proportion of a given sum annually, it will be better not to make more changes in the mode of assessing and collecting the taxes. There has already been so much legislation upon that subject, that it is difficult for the officers to understand and carry out the laws.

A Bill is now in progress, and will be shortly reported from your committee, making provision for the distribution of the State debt among the counties; either through the medium of officers of the Government, or by a Board of Commissioners to be appointed for that purpose. Let such an apportionment be once fairly made, and there can be no doubt but the several counties would cheerfully pay a larger tax, than they are now willing to bear.

The act of the 27th July, 1842, has been understood differently in different counties; in some counties the Commissioners have taken the last triennial assessment as containing the true valuation: whilst in other, and by far the largest number of counties, a new assessment has been made. Full returns of the assessments for the

present year have been received at the Auditor General's office from very few of the counties. So that it is impossible to ascertain the amount which will be received into the Treasury, from the tax of this year. The increase of one mill on a dollar will not, (if we may judge from the counties already heard from as a criterion,) be at all adequate to meet the demands on the Treasury during the current year. Your committee recommend, however, that it be continued until some other system of taxation shall be adopted; and in the Bill herewith reported, they have introduced a section to repeal the proviso in the act of the 27th of July, which limited it to one year.

In 1842, the State tax of Philadelphia amounted to \$221,778 32, and in 1843, to \$292,688 75. The total valuation of property in the assessment for this year, in that county, is less than at the triennial assessment of 1841, \$26,623,213. In several of the other counties returned, a similar decrease in valuation is shown, while in Chester county, the reduction is *increased* above that of 1841, \$1,427,019. It is fair to presume, that the decrease in the value of property is much the same in every part of the Commonwealth.— There must, therefore, be a wide difference in the judgments of the assessing officers. A fair apportionment of the amount annually to be raised by the respective counties, would have a salutary tendency in enabling assessors to form correct estimates of the value of property. The tax of this year, under the present mode of assessing, will not, in all probability, amount to half the sum necessary for the payment of the interest on the State debt. Under the apportionment system, each county would be bound to raise annually its full proportion of the interest. By a sale of the stocks and a portion of the public works, the debt and annual interest would be lessened.— So that the money received at the Treasury from the ordinary sources of revenue, after defraying the expenses of Government, might be applied as a sinking fund.

If we would re-establish our fallen credit, and place it upon a safe and *permanent* footing, we must boldly and fearlessly meet the crisis. This is no time for temporizing expedients. Provision for the payment of at least the interest on the public debt *must be made*, or the world will declare that all our pretensions, both as to our

willingness and ability to pay our debts, are hypocritical and unfounded.

But, before we impose still greater burthens upon our citizens, it becomes necessary that we should discharge the debts now due to our domestic creditors. The claims of this class of our creditors have been long due; relying upon the faith of the Commonwealth, they have toiled for months upon our public works, without receiving so much as would purchase for them the present means of subsistence: or else they have invested in materials and labor in the construction of our canals and railroads, their entire fortune. They now appeal to us, and imploringly ask us to save them from starvation and bankruptcy; and shall we withhold any aid in our power? Rather let us exert ourselves to the utmost in their behalf. Not only are we bound by every principle of honor and good faith to discharge these debts *immediately*, but it will be found *absolutely essential* to the certain and easy collection of the necessary tax for the payment of the interest on the funded debt.

Connected with this subject is that of the cancellation of the notes issued by the banks under the act of the 4th of May, 1841. Under the act recently passed, one hundred thousand dollars of these issues were delivered over by the State Treasurer to the Auditor General, to be cancelled; and the like amount is directed to be cancelled monthly, until they are all absorbed. This money was created for the purpose of discharging the debts due to our domestic creditors; it was pledged—solemnly pledged to them by all the forms of law. Hundreds of our citizens, relying upon the faith of the Commonwealth, have anxiously waited for the arrival of the first day of February, when they expected to receive part, at least, of the sum which has been long withheld from them. They were disappointed, most sadly disappointed, by the sudden action of the Legislature, directing the funds in the Treasury to be destroyed.

It is not the design of the committee to advocate the continuance of these issues in circulation, longer than the *absolute necessities of the Government require*. But they cannot but regret, that the work of *purifying the currency*, as it is called, has been so rapidly commenced, as to drain the Treasury of nearly its last dollar, leaving the Government destitute of the very means of existence, and mak-

ing the administration of the laws dependant upon the charity and bounty of our public officers.

In order that the public improvements may yield the revenue which we have good reason to expect from them during this year, it is absolutely necessary that an early appropriation should be made, and ample funds provided, for the making of the repairs upon them. The credit of the State can no longer be invoked and resorted to, to induce laborers and others to engage in her service, and furnish her with materials—and even if credit could be obtained, still economy would dictate to us, to avoid resorting to it if possible, inasmuch as materials and labor thus obtained, are much more expensive than when prompt payment is made. The Canal Commissioners estimate that \$186,300 are necessary for repairs during this year. But if the relief issues are cancelled, as now provided for by law, not one dollar can be drawn from the Treasury for these repairs, before some time in April or May; long before which time all the railroads should be in repair, and all the canals in complete navigable order. The loss to the State, by their not being so, might, and very probably would be, very great. The following statement of the funds in the Treasury, made by the State Treasurer to the House, exhibits a deficit in the Treasury to meet the demands thereon, (if the late law be carried out,) of more than *one hundred and fifty thousand dollars* by the first day of April next, even allowing that all the funds therein mentioned, are made available before that time, and this too without appropriating a dollar towards repairs :

Money in the Treasury 1st February, A. D., 1843,		
(available,)		\$181,827 86
On deposite in sundry banks, &c., do.,		84,436 83
		<hr/>
		266,264 69
Of this cancelled,	\$100,000 00	
Set apart 1st February, for payment to		
domestic creditors,	118,203 97	
Balance of repair fund,	8,060 72	
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		226,264 69
		<hr/>
Leaving,		40,000 00
Leaving, as provided by the act of 27th		
July, to meet demands on Treas-		
ury, \$40,000 00.		

Amt. to meet demands on Treasury, brought forward,	\$ 40,000 00
To this add the estimated receipts for the months of Feb'y and March,	130,000 00

Making,	170,000 00
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To be cancelled on the last of Feb'y,	100,000 00
do do last of March,	100,000 00
Demands on Treasury in February and March,	175,000 00

375,000 00

Supposed deficit,	\$205,000 00
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There is of fund received from the General Govern- ment,	60,313 27
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And the amount due from Bank of Pennsylvania, a part of which might be made available, by re- ceiving it in 4th May issues of that bank, amount- ing, including branch, to	74,171 67
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Reluctant as the committee are to interfere with the gradual and speedy absorption of the relief issues, they cannot, in justice to the Commonwealth and her suffering creditors, refrain from recommending, and warmly urging upon the House, to pass the bill herewith reported, suspending the operation of the cancellation act until the first day of September next, and providing that after that time the sum to be cancelled monthly, shall be reduced to fifty thousand dollars. And did not the apparent determination of a large majority of the Legislature to destroy these issues, forbid the idea that the recommendation of the committee would be at all regarded, they would recommend that the work of destruction should be suspended for a still greater length of time.

Provision is made in the bill herewith reported, for the sale of all the stocks owned by the State, in banks, bridges, turnpikes, canal and railroads and navigation companies. The sale of these stocks has been already delayed too long. Had the earnest recommendations of the Executive been adopted three years ago, a loss of not less than *one and a half million* of dollars would have been saved on the single item of bank stock. The act of the 27th July, 1842, which authorized the sale of these stocks, was found not to answer

the purpose, because of the restriction which forbid a sale unless it could be effected at a sum, which at five per cent. would produce an interest equal to the dividend *received* by the State on said stock, for the year 1841.

In many cases no dividend was *received* in that year, although there had been a dividend *declared*. In the present bill this difficulty is obviated, and the Governor and State Treasurer is vested with a discretionary power, not to sell, if in their opinion the sum bid is an inadequate price for the stock offered. The claims of domestic creditors are directed to be received in payment, and it is to be hoped that by this means, many of their claims will be satisfied. As a further, and the only remaining provision in the power of the State at present, we recommend that all the moneys in the Treasury, excepting the ordinary annual appropriations, be paid at stated periods, in this and succeeding years to these creditors, until their claims are liquidated and discharged.

Up to the first day of August last, the interest on the funded debt of the Commonwealth was promptly paid when due, while the claims due her own citizens have remained unpaid in many cases for years—preference has heretofore been given to our creditors, so as almost entirely to exclude that class of our citizens whose labor and enterprize have constructed our improvements—whose onerous taxes have been cheerfully paid to sustain the credit of the Commonwealth, both at home and abroad. No sacrifice on the part of the Commonwealth is now too great in order to effect the payment of their claims speedily—justice to these men has been too long delayed—suffering, distress and ruin, have been the consequence to most of them: and through them entire communities have felt severely the consequences of the non-compliance of the State with her obligations.

But it may be said that the proposition herewith submitted, takes from the loan holder a fund pledged to him for his interest; let it be recollected, however, that the funds received into the Treasury are not such as our foreign creditors are willing to receive. In February, 1842, the State suffered a loss of forty thousand dollars and upwards, in exchanges and otherwise, in order to pay the interest on the public debt in specie funds. It must also be recollected that it would be extremely hard to exact an onerous tax of an individual,

whom the State owes, but cannot, or does not pay. Let the most ample provision therefore be made for our own citizens, and they in return will pay their share of the public burden, with a willing heart and a liberal hand. A general determination prevails among our citizens to maintain inviolate the faith and credit of the State at all hazards, and at any sacrifice. *Let not another dollar be added to the public debt—let no money be borrowed for any purpose at any time, without at the same time providing the means of payment—adopt a rigid system of economy in all the departments of the Government—employ no more officers or agents than the public necessities imperiously require—reduce all salaries and per diem allowances, which are greater than the station and services rendered demand, to such sum as justice and the exigencies of the times require—sell all your stocks and the branches of your canals and railroads*—and in the opinion of your committee, there will be no difficulty in raising, by tax and the proceeds of the main line, a sum sufficient to meet the interest on the public debt, and creating a sinking fund for the ultimate liquidation of the principal.

The resources of the Commonwealth are as yet untouched; and when the vast agricultural, mineral, manufacturing and commercial wealth of our State—the enterprize and unexampled industry of our population—the natural and artificial advantages for the development of these resources—the cheap communication from every part of our territory with the seaboard and the western waters, are taken into consideration, no man can doubt the ability of Pennsylvania to establish her credit upon a *permanent* basis, and to accomplish a speedy reduction of the immense debt now resting like an incubus upon her.

Much depends upon the action of the present Legislature upon these subjects; should we, coward-like, shrink from the responsibility which we have voluntarily consented to have placed upon us, we would be undeserving the name of patriots. In the present advanced state of intelligence of the good people of this Commonwealth, their representatives will find that a rigid, honest and fearless discharge of duty, is the only sure road to popular favor; and that any attempt to deceive the people or ward off responsibility, will be punished, as it justly deserves, with the unqualified sentence of public condemnation.

